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**CANADIAN WESTERN NATURAL GAS COMPANY LIMITED**

**AR20**



**Annual  
Report 1970**











## CANADIAN WESTERN NATURAL GAS COMPANY LIMITED

REGISTERED OFFICE: 140 SIXTH AVENUE S.W., CALGARY, ALBERTA, CANADA

### BOARD OF DIRECTORS

- A. C. ANDERSON, Lethbridge, Alberta  
Owner, Medical Dental Pharmacy (Lethbridge) Ltd.
- D. E. BATCHELOR, Millarville, Alberta  
President, Burns Foundation Limited
- G. L. CRAWFORD, Q.C., Calgary  
Barrister and Solicitor
- R. N. DALBY, Edmonton  
Senior Vice-President, Canadian Western Natural Gas Company Limited
- E. W. KING, Edmonton  
President, Canadian Western Natural Gas Company Limited
- K. L. MacFADYEN, Calgary  
Senior Vice-President - Finance, Canadian Western Natural Gas Company Limited
- F. C. MANNING, Calgary  
President, Manning Egleston Lumber Company Limited
- J. E. MAYBIN, Edmonton  
Chairman and Chief Executive Officer, Canadian Western Natural Gas Company Limited
- J. E. O'CONNOR, Calgary  
Manager, Calgary Associate Clinic
- J. M. SEABROOK, Salem, New Jersey  
Chairman and President, International Utilities Corporation
- D. B. SMITH, Calgary  
Senior Vice-President, Canadian Western Natural Gas Company Limited
- M. E. STEWART, Media, Pa.  
Senior Vice-President - Utilities, International Utilities Corporation
- D. K. YORATH, Edmonton  
Chairman of the Executive Committee, Vice-President, International Utilities Corporation

### HONORARY DIRECTORS

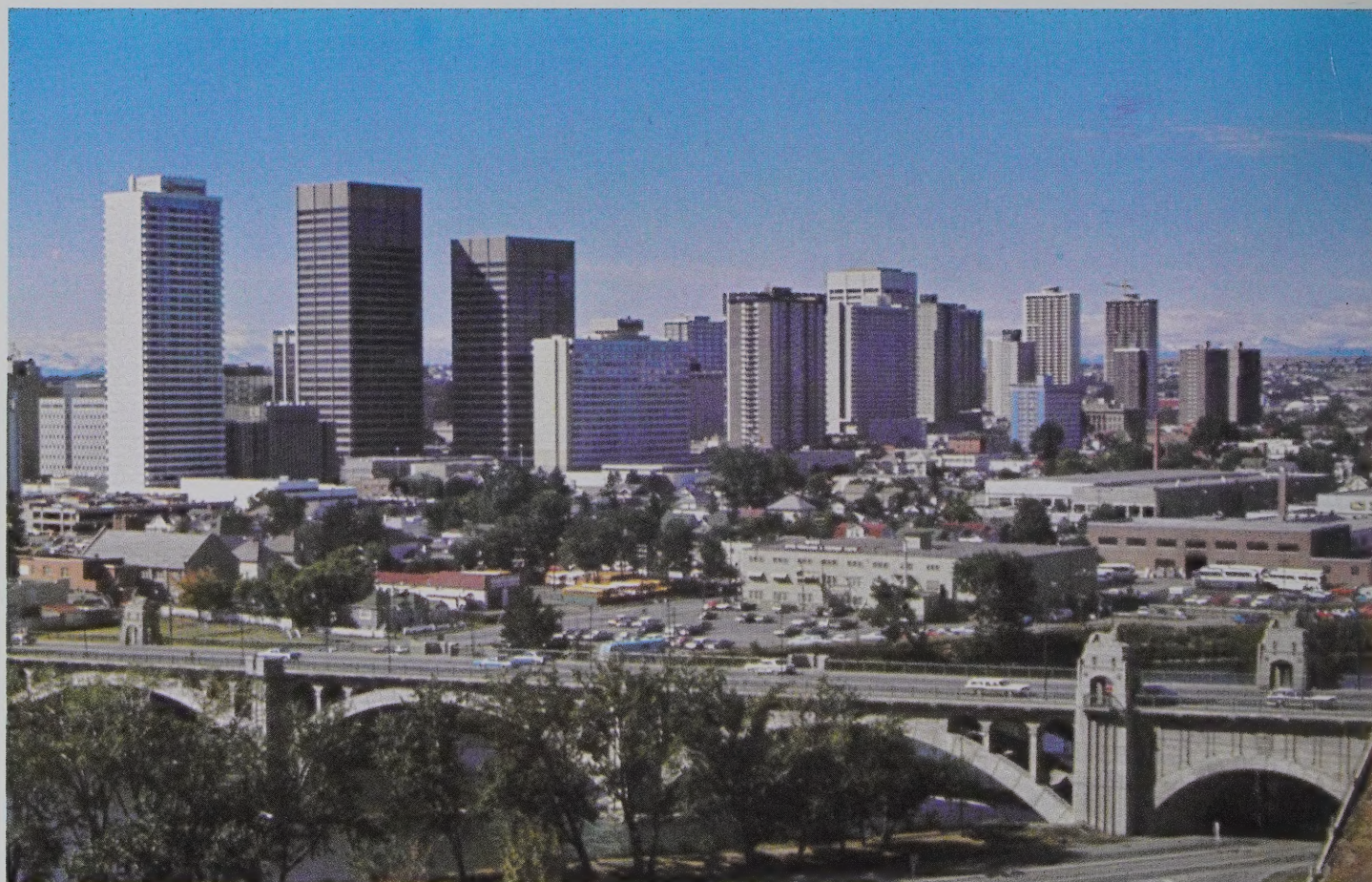
- P. D. MELLON  
Consultant
- H. R. MILNER, C.C. Q.C., Edmonton  
Honorary Chairman of the Board, Canadian Western Natural Gas Company Limited
- R. S. MUNN  
Retired

### OFFICERS

- J. E. MAYBIN, Chairman and Chief Executive Officer of the Company
- E. W. KING, President
- K. L. MacFADYEN, Senior Vice-President - Finance
- R. N. DALBY, Senior Vice-President
- D. B. SMITH, Senior Vice-President
- B. W. SNYDER, Vice-President - Engineering and Rate Administration
- J. H. PLETCHER, Vice-President - Gas Supply
- E. G. RINGROSE, Vice-President - Administration
- A. M. ANDERSON, Controller
- A. J. L. FISHER, General Manager
- A. J. SMITH, Secretary
- J. H. MILLER, Treasurer
- D. E. PEARCE, Assistant Secretary
- A. F. WOMACK, Assistant Secretary

OUR COVER: *Sight unseen below farm and ranchlands in Southern Alberta is a network of natural gas pipelines serving an ever-growing population. Care to prevent undue damage to cropland is diligently practised by our company. Many crops are grown in Southern Alberta and here, in bloom, is a field of mustard.*





*Concentration of Calgary's downtown office buildings illustrates the continued expansion of Calgary, which in 1970 had the second largest growth rate in Canada.*

## HIGHLIGHTS IN REVIEW

	<u>1970</u>	<u>1969</u>	<u>1968</u>	<u>1967</u>	<u>1966</u>	<u>1960</u>
Customers at Year End	134,738	128,843	122,805	117,857	114,060	92,206
Natural Gas Sales . (thousands of cubic feet)	73,923,647	71,429,931	67,205,075	62,953,637	61,827,517	41,414,287
Revenue . . . . .	\$26,454,027	\$25,187,777	\$23,432,830	\$22,001,346	\$21,728,474	\$14,443,248
Net Income						
From Operations . . .	\$2,864,638	\$2,920,672	\$2,787,323	\$2,661,954	\$2,808,535	\$2,143,502
Total, including gain on sale of land and investments	\$3,117,521	\$3,004,132	\$2,787,323	\$2,667,431	\$2,808,535	\$2,143,502
Earnings Per Ordinary Share						
From Operations . . .	\$1.36	\$1.39	\$1.32	\$1.25	\$1.33	\$.96
Total, including gain on sale of land and investments	\$1.50	\$1.44	\$1.32	\$1.25	\$1.33	\$.96
Dividends paid per Ordinary Share . . .	\$.95	\$1.10*	\$.95	\$.90	\$1.00*	\$.70
Gross Additions to Plant - Annual . . .	\$5,971,236	\$5,426,479	\$4,444,029	\$5,171,412	\$5,676,785	\$3,459,462
Gross Plant . . . . .	\$85,833,340	\$80,824,666	\$76,121,872	\$72,432,036	\$67,947,926	\$51,955,922
Miles of Pipeline . . .	3,853	3,439	3,038	2,653	2,199	1,904
Maximum Daily Demand . . . . . (thousands of cubic feet)	396,291	374,262	385,190	326,527	323,861	214,218
Communities Served	92	91	88	88	85	78
Population Served . .	521,000	504,000	483,000	464,000	441,000	349,000

\* includes extra dividend of 15 cents declared November 1969, and 10 cents declared April 1966



## TO THE SHAREHOLDERS

Net earnings from operations during 1970 were \$2,865,000 compared to \$2,921,000 in 1969. After payment of dividends on preferred shares, this represents a decline in earnings per ordinary share from operations to \$1.36 for 1970, from \$1.39 in 1969. Net earnings including gains on sale of land and investments, however, totalled \$3,118,000 in 1970 compared to \$3,004,000 in 1969, equivalent to total earnings per ordinary share of \$1.50 in 1970 and \$1.44 in 1969. Dividends of 95¢ per share were paid during the year.

Revenue from natural gas sales was 5 per cent higher than in 1969, increasing by \$1,266,000 to \$26,454,000.

Average monthly temperatures remained relatively close to the long term averages until December. Due to the relatively cold December, heating requirements for the year as a whole were about 3½ per cent above average. Although there was some decline in sales to a few of the larger industrial customers, the industrial sales revenue in total remained essentially the same as 1969.

During 1970 operating expenses, including depreciation and property and income taxes, increased by \$1,123,000 to \$22,441,000. This 5.3 per cent increase over 1969 is due to the combined effect of expanded operations, increased gas supply costs, higher wage levels and material costs and increased property taxes. Interest costs amounting to \$1,617,000 were 15 per cent higher than 1969 due to the larger amount of borrowing and higher interest rates.

On August 21st, 1970, the company filed its first application for an increase in natural gas rates in nine years with the Public Utilities Board of Alberta. The company requested approval of new rates which will allow it to earn an 8½ per cent return on its net mid-year rate base. At the conclusion of the public hearings, the company was authorized, on an interim basis, to charge the new rates it had requested on all meter readings on or after February 1st, 1971. These new rates, if applied on a full year basis, would give an over-all increase on all classes of service of about 10 per cent. The interim rates are subject to review by the board and may be altered, or changed as the board may direct, following its final decision on the company's application.

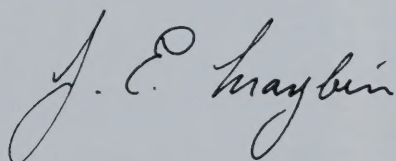
On December 1st, 1970, the company issued \$10 million 9¾% debentures, in order to repay bank loans, provide funds for the 1971 construction and expansion program and to retire the \$1,950,000 principal amount of First Mortgage Sinking Fund Bonds, 3½% Series A, maturing April 1st, 1971.

During 1970, the company together with other gas and electric utilities, made strong representations concerning certain sections of the White Paper on Tax Reform dealing with dividend tax credit treatment of utility shareholders. Both the House of Commons and Senate committees endorsed the stand taken by the utilities and gave recommendations which were favourable so far as continuation of a dividend tax credit for utility company shareholders was concerned, with the Commons committee recommending that the Minister of Finance seek an appropriate arrangement with the provincial governments to enable such a credit to be continued. Legislation which will replace or revise the present tax laws is expected during the current session of Parliament.

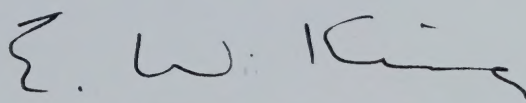
During 1970, J. C. Dale resigned from the company as Vice-Chairman and Director, and accepted an assignment with a consulting firm to take part in the co-ordination and administration of the electrical industry in East Pakistan. On behalf of this board, we wish to express our sincere appreciation to Mr. Dale for all his past efforts and wish him every success in his new endeavors.

We wish to thank the staff whose loyal and conscientious efforts have made it possible for the company to maintain its reputation for safe and reliable service to the public.

By order of the board of directors.



J. E. Maybin, Chairman



E. W. King, President

March 1, 1971.



## THE YEAR IN REVIEW

## GAS SALES

Sales of natural gas in 1970 amounted to 73.9 billion cubic feet, an increase of approximately 2.5 billion cubic feet, or 3.5 per cent over the previous year. Temperature has a significant effect on the consumption of natural gas in the company's service territory, due to the predominant use of gas as a heating fuel. The average Calgary temperature in 1970 of 38.3 degrees was slightly below the long-term normal but still 2.6 degrees warmer than 1969, and consequently sales were adversely affected as between the two years. After eliminating the effect of weather, the increase in 1970 due to basic growth in the company's system appears to have been in the order of 3.7 billion cubic feet, or 5.5 per cent.

The following table shows sales by class of customer in 1970:

	Billion Cubic Feet	Per Cent of Total
Residential . .	26.5	36
Commercial . .	22.4	30
Industrial . .	25.0	34
	73.9	100%

In 1970 the company connected 5,895 new customers to its system, slightly below the 1969 growth of 6,038 customers, to bring the total to 134,738 at year-end. In terms of customer numbers the largest annual increases in the past 10 years occurred in 1969 and 1970.

On December 3, a new maximum sendout of gas was established when the system demand was 396 million cubic feet. The average temperature was 18 degrees below zero with gusts of wind up to 16 miles an hour. This exceeded the previous record, established earlier in the year, by some four million cubic feet.

## MARKETING

Continued growth was experienced in the cities, towns and other communities served by the company. Population of the service area increased by 17,000 to 521,000. Calgary, the major city served by the company, had a 3.2 per cent increase over the previous year, Dominion Bureau of Statistics reports. This was more than twice the

growth rate for Canada as a whole. Calgary's population is now more than 398,000. Lethbridge reported a growth of 1,304 people in the past year and its population now stands at 40,856.

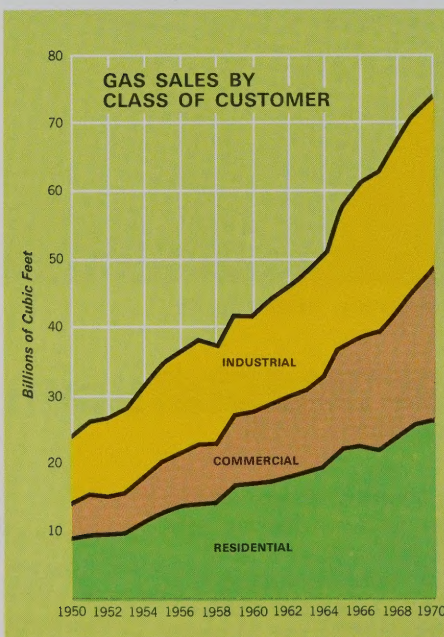
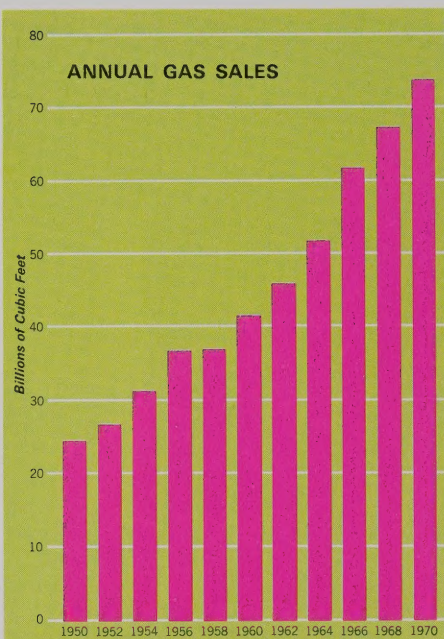
In Calgary the value of building permits issued during 1970 was \$173,000,000, or \$1,000,000 more than 1969. The number of permits for single family residences, duplexes, apartments and townhouses represents a total of 7,624 dwelling units for 1970, compared with 8,273 for 1969.

The first building, a 17-story office tower, in the Bow Valley Square development in downtown Calgary is now under construction. Eventually the complex will consist of four high-rise structures ranging to a height of 38 stories. During 1970 another new hotel was also added to the city's facilities in the city centre, the 35-story International Hotel.

Further development in the urban renewal project in the downtown core took place in 1970 with completion of the Calgary Housing Authority's high rise apartment, a single men's hostel, and start of construction of the new YWCA and the Alberta Vocational Centre.

One of the largest apartment projects ever to be built in the city was completed in 1970. Twin 36-story towers contain 600 apartments, occupying almost a city block. Place Concorde as it is known, was built at a cost of approximately \$12,000,000, including the shopping mall, parking floors etc., which link the two towers. Typical of the smaller high rise apartments which were completed in 1970 is Heritage Place, a 17-story development built at an estimated cost of \$2,500,000.

A medical centre, which will provide 560,000 square feet of working space, is being built at the Foothills Hospital, adjacent to The University of Calgary. Started in 1970 the medical centre will be completed in 1972. The main hospital building contains 827,000 square feet . . . equal to 19 acres. At the university itself, a married students' residence was completed in 1970 and additions started to a number of major buildings.

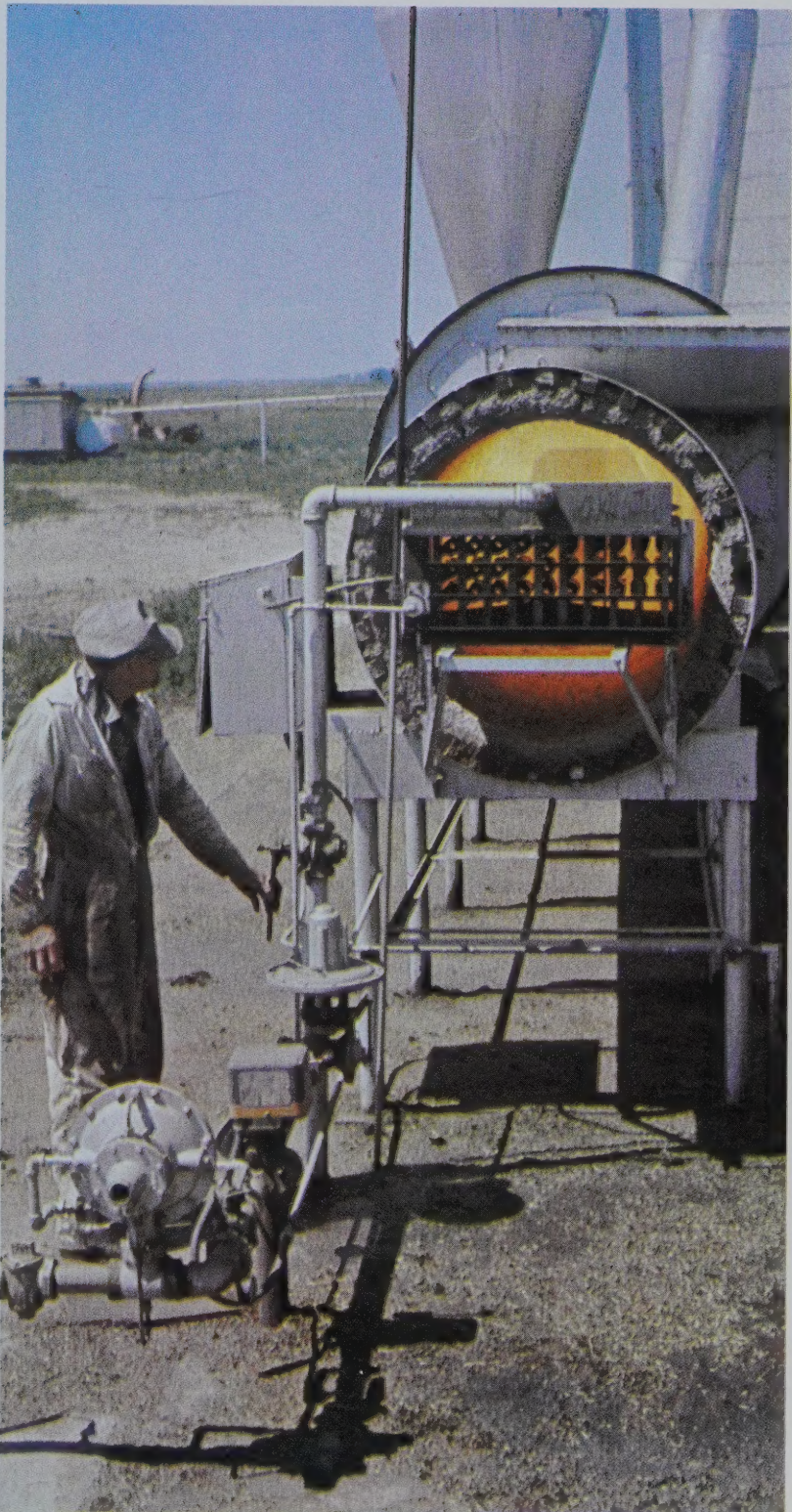




*Natural gas torches grace the entrance to a golf club in Lethbridge.*

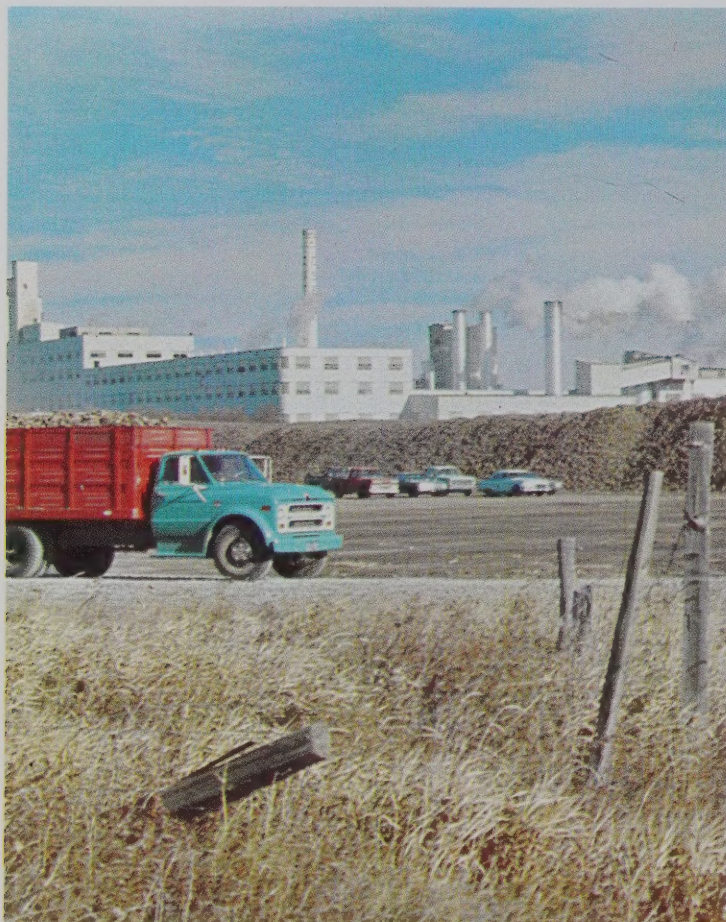


*Roaring flames dehydrate alfalfa at Vauxhall in Southern Alberta.*





*Natural gas and farming go together. Harvested sugar beets are transported by truck and railway cars to sugar factories which are major gas customers.*



*Another reel of plastic pipe is unloaded for rural services while below a company employee discusses extension of service with a farmer.*





## REVIEW

### CONTINUED

Lethbridge also enjoyed a substantial growth in building permits, from \$17,684,000 in 1969 to \$27,599,000 in 1970, due largely to the University of Lethbridge, construction of which is well underway.

Swift Canadian Co. Ltd. will open a new \$3,500,000 packing plant in Lethbridge early in 1971, adding to the growth of the city's industry. It will employ 110 people when in full production. Lethbridge packing plants accounted for about 9 per cent of the national total of beef cattle marketings in 1970, and forecasts are for even larger handlings in 1971.

Among the other major new industrial and commercial customers connected during the year were Vauxhall Foods Limited, an asphalt plant of Standard General Construction Limited, Old Dutch Foods Limited, Rockymountain Packers Limited and Canmore Mines.

An interesting new industry is being developed on the Blood Indian Reserve in Southern Alberta. At the Indian community of Stand Off last fall production of mobile homes began in the plant of Kainai Trailer Industries. When in full production the plant will have about 250 employees. Natural gas service was extended to Stand Off, and to the plant, in the early fall, making it the ninety-second community to be served by Canadian Western.

In the specialty gas appliance area company sales were up 12¾ per cent from 1969 and included 2,832 appliances and accessories, such as gas lights and torches, barbecues, firepits and gas heaters.

Through the promotional efforts of the company, 12 major gas appliance programs were organized to assist appliance dealers and home building contractors. This entailed 28 home shows in Lethbridge and Calgary, in-store promotions, and exhibitions.

### RURAL SALES

The company continued to promote the sale of natural gas to farmers, irrigation pumping units and other rural customers. In 1970 a total of 877 new rural customers were connected, including 122 irrigation customers. At the year end the company was serving a total of more than 4,400 rural customers. During 1970, a total of 305 miles of

plastic pipe were installed for rural customers.

Two of the largest projects completed in 1970 were the Coaldale South No. 1 scheme where 173 of 309 potential customers have already signed applications for service; and the Chestermere Lake scheme where 120 customers are now served with natural gas.

The company anticipates a continuing and substantial rural gas program during 1971.

### GAS SUPPLY

The marketable gas reserves in fields connected to Canadian Western's system were estimated to be 1,483 billion cubic feet as of December 31, 1970.

The main sources of gas supply in Canadian Western's system were the Jumping Pound - Jumping Pound West - Sarcee fields and these supplied 56 per cent of the company's requirements during the year. The Turner Valley - Redland - Strathmore and Okotoks fields supplied 24 per cent of the company's purchased gas. The remainder of the company's requirements came from a number of smaller sources.

The company's dry gas and storage fields at Bow Island, Carbon, Foremost and Stirling produced 13 per cent of the annual market requirements. On the peak day, which occurred on December 3, these fields were called on to supply 43 per cent of the total system demand.

A relatively minor amount, equivalent to 3 per cent of the company's total gas supply, was purchased from the export companies, TransCanada PipeLines Limited, Westcoast Transmission Company Limited and Alberta and Southern Gas Co. Ltd. This gas was used to supply communities and rural customers which cannot be reached by the company's own pipeline network and to meet short term winter peaking requirements in various parts of the system.

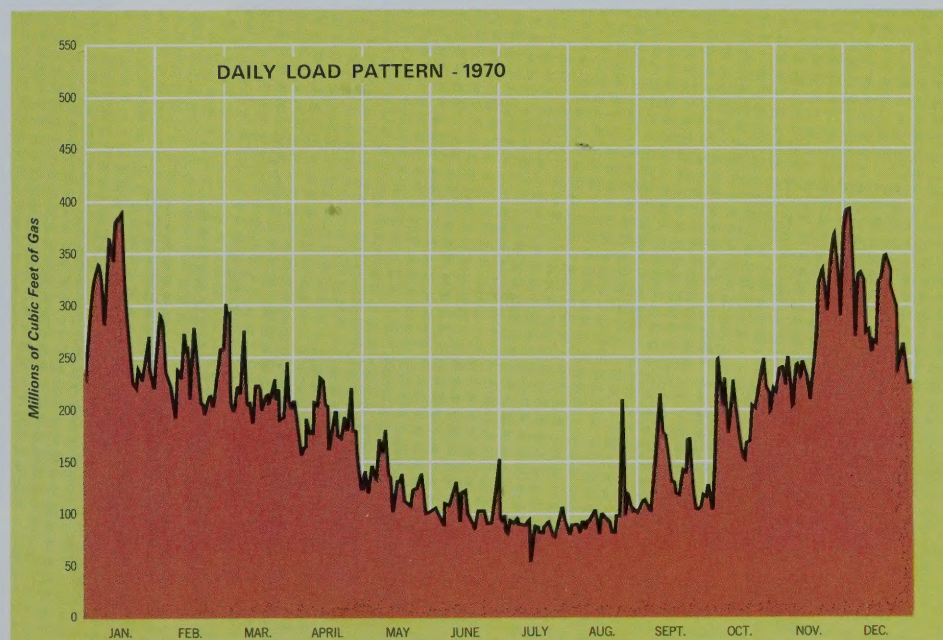
On March 23 the Stirling field was put on production and this field will supply the company's customers along the Cardston - Stirling pipeline system in Southern Alberta.

### SERVICE TO OUR CUSTOMERS

During 1970 the customer service group completed 65,400 service calls and 22,000 premises surveys, when the company's expert servicemen check all gas installations in each household. In addition more than 11,000 meter turn on and turn off calls were completed for customers.

The utilization section carried out a total of 268 operational tests on new commercial and industrial equipment. In addition approximately 120 calls were made for performance tests, trouble calls and installation problems on large equipment. The company's meter shop processed 28,800 meters.

Typical of the service provided to industrial and commercial customers the company assisted in the develop-





## REVIEW

### CONTINUED

ment of a zinc melting tank with a capacity of 40 tons for a new galvanizing plant in Calgary; the design and evaluation of a fume incineration burner assembly for small commercial operators to meet present day pollution requirements; a number of small kilns for various applications; and a gas-fired heater now being evaluated for thawing the ground for winter construction.

As an indication of the safety work that is carried on continually, inspections on services to public and large commercial buildings in Calgary were made 18 times during the year and the remainder of the services were inspected at least once during the year, under the leak detection program, for a total of 165,400 service inspections and 238 miles of main inspections.

The company's home economists demonstrated the use of natural gas to home economic students in schools and were active in assisting the public through newspaper articles, radio shows, cooking schools, gourmet and other specialty demonstrations, and the distribution of more than 300,000 recipes and leaflets.

### NEW CONSTRUCTION

Capital expenditures in 1970 were \$5,971,000, more than half of which was expended in construction of facilities required to serve new customers. Extensions to serve new rural customers cost approximately \$1,400,000.

During 1970 the company installed 414 miles of new gas pipelines, and more than 5,400 new services. The company's pipeline system now totals 3,853 miles, consisting of 40 miles of field line, 1,031 miles of transmission lines and 2,782 miles of distribution lines.

One of the major projects during the year was the relocation of the 16-inch main across the Nose Creek Valley in northeast Calgary due to the start of construction of the new No. 2 highway.

Canadian Western operates a fleet of 272 vehicles and 134 units of heavy equipment of various descriptions, used for construction operations. A total of 3,696,000 miles were logged in the performance of the various duties in 1970.

In the spring of 1970 the new Vehicle and Equipment Depot in northeast Calgary, near the Inter-

national Airport, was completed and shortly thereafter the company transferred its pipeyard, garage operation and shops from built-up areas in the city to this new location. The Manchester pipeyard property in southeast Calgary was sold during the year. At the Service Centre, in central Calgary, the former mechanical and garage building was converted to a stores building. In Lethbridge an addition was completed to the Service Centre to provide additional working space.

A major project completed in 1970 was the installation of a second compressor at the Carbon Field for a gas interchange arrangement with TransCanada PipeLines Limited. Supervisory equipment was installed to enable Calgary Control Station to remotely control the new compressor. This compressor brings the total horsepower at Carbon to 2,000, and in the system to 3,700.

On a continuing program of updating existing transmission facilities, a mile of the 16-inch Bow Island - Calgary main line was replaced and three quarters of a mile of six-inch pipe was replaced on the Banff and Fort Macleod lines. In all 33.5 miles of high pressure transmission lines were laid in 1970.

In 1971 capital expenditures are forecast at \$5,275,000. The company expects to connect 4,200 new urban customers and an additional 600 new rural customers. Cost of these extensions, and the necessary

facilities to serve the new customers, is estimated at \$2,800,000.

The largest single project being anticipated for the coming year is the extension of gas service to the proposed major recreational development at Lake Louise. The company plans to build a natural gas pipeline to the area from Banff, a distance of about 40 miles, as soon as the project gets under way.

The Public Utilities Board has approved the purchase by the company of the assets of the Milk River Gas Company, and the town, almost on the Montana border, has granted the company a 10-year franchise. The prosperous farming and ranching community, with more than 300 natural gas customers, becomes the ninety-third community to be served by the company.

### OTHER OPERATING HIGHLIGHTS

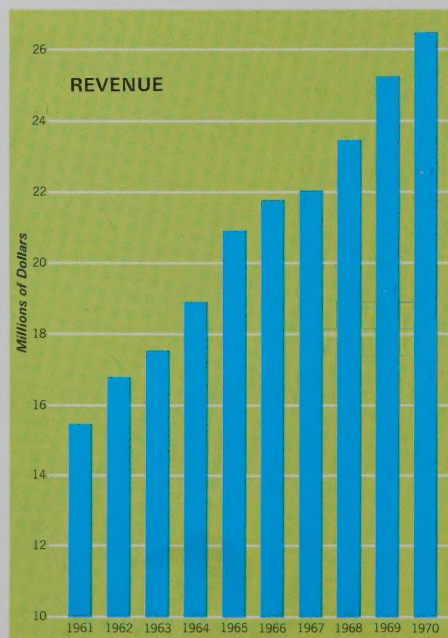
While in another part of the continent the world land speed record was shattered using a natural gas powered car, locally, Canadian Western introduced a new concept of natural gas utilization; namely, the "Clean Air" fleet.

By this spring eight vehicles will have been converted to the dual-fuel system which permits the driver to choose either natural gas or gasoline. The company anticipates conversion of many of its vehicles, particularly those used in city work, to the dual-fuel system in the interests of reducing vehicular air pollution.

Canadian Western and its associate, Northwestern Utilities, Limited, together with other utilities, are working on the development of an automatic reading system for gas, electric and water meters. Depending on the development of equipment it is proposed that a computer would obtain meter readings by telephone and automatically produce the consumer bill. A pilot study using some 30 homes will test the project this spring.

### STAFF

The number of employees working in permanent positions at December 31, 1970 was 670. There were 106 job postings advertised within the company during 1970 and 82 of these were filled by employees. The year 1970 was the final year of a two-year labor contract which must be replaced during 1971 by a new agreement with the Natural Gas Employees' Welfare Association.

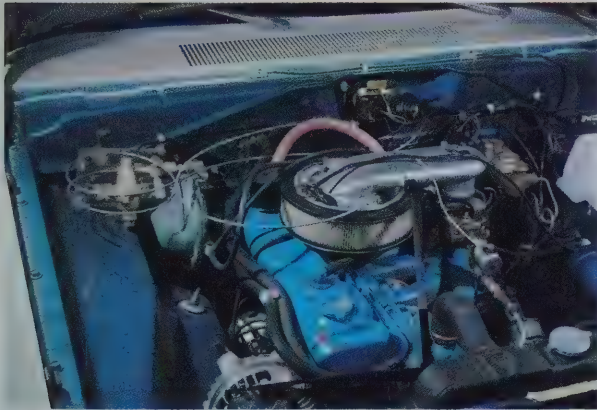




*Unveiled in November was the first fleet car converted to a dual-fuel system powered by natural gas, or at will, gasoline, as the company joined the fight against vehicular air pollution.*

*Under the hood a variable mixer replaces the standard air filter.*

*Interested spectators view Clean Air Fleet No. 1.*



*New vehicle and equipment maintenance depot south of Calgary's International Airport was opened in 1970. Operations were moved from the built-up city centre to this more suitable site.*





*New University of Lethbridge campus is expected to open in 1971.*



*Typical of urban pipeline construction is this street scene in downtown Calgary.*



*Construction of apartments continues in Calgary.*





# FINANCIAL STATEMENTS

## CANADIAN WESTERN NATURAL GAS COMPANY LIMITED

### AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the balance sheet of Canadian Western Natural Gas Company Limited as of December 31, 1970 and the statements of earnings, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the company at December 31, 1970 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

PEAT, MARWICK, MITCHELL & CO.  
Chartered Accountants

Calgary, Alberta  
February 5, 1971

### TRANSFER AGENTS

#### ORDINARY SHARES

##### **Montreal Trust Company**

Calgary, Alberta — Edmonton, Alberta — Toronto 1, Ontario — Regina, Saskatchewan

#### PREFERENCE SHARES

##### **Canadian Western Natural Gas Company Limited**

Calgary, Alberta

##### **Crown Trust Company**

Montreal 1, Quebec — Toronto 1, Ontario

##### **Montreal Trust Company**

Regina, Saskatchewan

### REGISTRARS

#### ORDINARY SHARES

##### **Montreal Trust Company**

Calgary, Alberta — Edmonton, Alberta — Toronto 1, Ontario

#### PREFERENCE SHARES

##### **Crown Trust Company**

Calgary, Alberta — Montreal 1, Quebec — Toronto 1, Ontario

### AUDITORS

Peat, Marwick, Mitchell & Co.  
309 Eighth Avenue S.W., Calgary, Alberta



# BALANCE SHEET · DECEMBER 31, 1970

(WITH COMPARATIVE FIGURES FOR 1969)

## CANADIAN WESTERN NATURAL GAS COMPANY LIMITED

### ASSETS

	<u>1970</u>	<u>1969</u>
Fixed assets:		
Property, plant, gas wells and equipment subject to amortization and depreciation, at cost . . . . .	\$85,833,340	\$80,824,666
Less accumulated amortization and depreciation (note 1) . . . . .	<u>26,006,681</u>	<u>24,190,495</u>
	59,826,659	56,634,171
Undertakings, franchises, gas rights, etc. in respect of which no provision for amortization is being made (including \$2,000,000 par value ordinary shares in Calgary Gas Company, Limited) acquired through issue of ordinary shares . . . . .	<u>8,000,000</u>	<u>8,000,000</u>
Net fixed assets . . . . .	67,826,659	64,634,171
Accounts receivable due beyond one year . . . . .	1,238,476	1,166,722
Current assets:		
Cash . . . . .	301,596	150,610
Short-term investments, at cost and market . . . . .	4,250,000	—
Accounts receivable . . . . .	3,304,383	2,821,970
Due from parent and affiliated companies . . . . .	52,385	59,265
Materials and supplies, at or below average cost . . . . .	973,723	874,279
Prepaid expenses . . . . .	<u>11,769</u>	<u>10,682</u>
Total current assets . . . . .	8,893,856	3,916,806
Unamortized debt discount and expense . . . . .	582,759	322,281
	<u>\$78,541,750</u>	<u>\$70,039,980</u>

Approved on behalf of the Board:

J. E. MAYBIN, Director

E. W. KING, Director



## LIABILITIES AND SHAREHOLDERS' EQUITY

	<u>1970</u>	<u>1969</u>
Shareholders' equity:		
Preference shares (note 2) . . . . .	\$ 9,508,200	\$ 9,508,200
Ordinary shares:		
Authorized—3,000,000 shares without nominal or par value		
Issued—1,780,000 shares . . . . .	10,799,000	10,799,000
Retained earnings (notes 3 and 5) . . . . .	16,535,719	15,549,526
General reserve . . . . .	1,711,541	1,711,541
Total shareholders' equity . . . . .	<u>38,554,460</u>	<u>37,568,267</u>
Long-term debt (excluding current maturities) (note 3) . . . . .	28,455,000	20,970,000
Current liabilities:		
Loan payable to bank . . . . .	—	2,700,000
Accounts payable and accrued charges . . . . .	2,266,950	2,042,314
Accrued interest on long-term debt . . . . .	317,381	246,960
Accrued interest on consumer deposits . . . . .	461,292	419,317
Long-term debt—current maturities (note 3) . . . . .	2,511,000	939,000
Income taxes (note 4) . . . . .	134,053	57,381
Other taxes . . . . .	422,674	391,888
Total current liabilities . . . . .	<u>6,113,350</u>	<u>6,796,860</u>
Deferred income taxes (note 4) . . . . .	304,440	354,628
Other liabilities:		
Consumer deposits . . . . .	1,427,154	1,353,031
Miscellaneous . . . . .	352,260	373,190
Total other liabilities . . . . .	<u>1,779,414</u>	<u>1,726,221</u>
Contributions for extensions to plant . . . . .	3,335,086	2,624,004
	<u><u>\$78,541,750</u></u>	<u><u>\$70,039,980</u></u>

See accompanying notes.



# STATEMENT OF EARNINGS · DECEMBER 31, 1970

(WITH COMPARATIVE FIGURES FOR 1969)

## CANADIAN WESTERN NATURAL GAS COMPANY LIMITED

	1970	1969
Natural gas sales	\$26,454,027	\$25,187,777
Operating expenses:		
Natural gas purchased	8,848,296	8,452,653
Operating	6,536,420	5,970,491
Maintenance	1,095,443	1,044,344
Taxes—income (note 4)	2,048,000	2,207,000
Taxes—other than income	1,932,375	1,788,311
Depreciation exclusive of \$168,347 included in operating and other accounts (1969—\$160,717) (note 1)	1,980,773	1,855,640
	<u>22,441,307</u>	<u>21,318,439</u>
Net operating income	4,012,720	3,869,338
Other income:		
Gain on purchase of long-term debt	50,663	6,690
Interest and dividends	157,708	114,624
Rent	211,761	217,561
Miscellaneous	81,291	146,509
	<u>501,423</u>	<u>485,384</u>
	4,514,143	4,354,722
Income deductions:		
Interest on long-term debt	1,318,434	1,281,682
Other interest	298,189	119,605
Debt discount and expense amortized	32,882	32,763
	<u>1,649,505</u>	<u>1,434,050</u>
Net earnings from services and other income	2,864,638	2,920,672
Gain on sale of land and investments	252,883	83,460
Net earnings	<u>\$ 3,117,521</u>	<u>\$ 3,004,132</u>

See accompanying notes.



## STATEMENT OF RETAINED EARNINGS · DECEMBER 31, 1970

(WITH COMPARATIVE FIGURES FOR 1969)

### CANADIAN WESTERN NATURAL GAS COMPANY LIMITED

	1970	1969
Balance at beginning of year as previously reported . . . . .	\$15,453,671	\$14,847,867
Adjustment of prior years' income taxes (note 5) . . . . .	95,855	95,855
Balance as restated . . . . .	15,549,526	14,943,722
Add net earnings . . . . .	3,117,521	3,004,132
	<u>18,667,047</u>	<u>17,947,854</u>
Deduct dividends:		
4% cumulative preference shares . . . . .	220,328	220,328
5½% cumulative preference shares . . . . .	220,000	220,000
Ordinary shares . . . . .	1,691,000	1,958,000
	<u>2,131,328</u>	<u>2,398,328</u>
Balance at end of year . . . . .	<u>\$16,535,719</u>	<u>\$15,549,526</u>

## STATEMENT OF SOURCE AND APPLICATION OF FUNDS · DECEMBER 31, 1970

(WITH COMPARATIVE FIGURES FOR 1969)

	1970	1969
Funds provided by:		
Operations:		
Net earnings . . . . .	\$ 3,117,521	\$ 3,004,132
Add depreciation and other charges, less credits, not involving cash . . . . .	1,923,439	2,072,196
	<u>5,040,960</u>	<u>5,076,328</u>
Proceeds on issue of debentures, less expenses of issue . . . . .	9,706,639	—
Proceeds from disposal of fixed assets . . . . .	428,051	87,611
Increase in consumer deposits . . . . .	74,123	92,345
Increase in contributions for extensions to plant . . . . .	711,082	671,591
Total funds provided . . . . .	<u>15,960,855</u>	<u>5,927,875</u>
Funds applied to:		
Payment of dividends . . . . .	2,131,328	2,398,328
Additions to fixed assets . . . . .	5,516,775	4,874,295
Reduction of long-term debt . . . . .	2,515,000	956,000
Increase in accounts receivable due beyond one year . . . . .	71,754	251,664
Other, net . . . . .	65,438	59,038
Total funds applied . . . . .	<u>10,300,295</u>	<u>8,539,325</u>
Increase (decrease) in working capital . . . . .	<u>\$ 5,660,560</u>	<u>\$ (2,611,450)</u>

See accompanying notes.



# NOTES TO FINANCIAL STATEMENTS · DECEMBER 31, 1970

## CANADIAN WESTERN NATURAL GAS COMPANY LIMITED

### 1. Amortization and depreciation:

Property, plant and equipment is being amortized and depreciated in accordance with Board orders of The Public Utilities Board for the Province of Alberta as follows:

General plant (exclusive of transportation and moveable equipment) on a straight line basis at the effective rate of 2¼% per annum on the gross cost of the plant at the preceding December 31, less contributions for extensions to plant at that date.

Natural gas and underground storage facilities at the rate of 1½% per annum on cost at preceding December 31 plus an amount based upon unit withdrawals.

Other plant at various rates based on the estimated lives of the assets.

### 2. Preference shares:

Authorized:

600,000 shares of the par value of \$20 each, issuable in series, of which 325,000 shares have been designated as Cumulative Redeemable Preference shares 4% series and 200,000 shares have been designated as Cumulative Redeemable Preference shares 5½% series.

Issued and redeemable at the option of the company on 30 days' notice at \$20.60 per share:

275,410 shares 4% series	\$ 5,508,200
200,000 shares 5½% series	4,000,000
	<u>\$ 9,508,200</u>

### 3. Long-term debt:

Long-term debt at December 31, 1970 is summarized as follows:

	Total Amount	Current Maturities
First mortgage sinking fund bonds:		
Series A—3½% due April 1, 1971	\$ 1,950,000	\$ 1,950,000
Series B—5¼% due February 1, 1982	4,818,000	183,000
Series C—5¾% due April 1, 1983	3,243,000	113,000
Series D—5½% due May 1, 1989	4,375,000	125,000
Series E—7% due June 15, 1992	6,580,000	140,000
	<u>20,966,000</u>	<u>2,511,000</u>
Sinking fund debentures:		
9¾% due December 1, 1990	10,000,000	—
	<u>30,966,000</u>	<u>2,511,000</u>
Deduct current maturities	2,511,000	
Long-term debt less current maturities	<u>\$28,455,000</u>	

The long-term debt outstanding and current maturities thereof are stated after deducting \$2,000 Series B and \$2,000 Series C bonds which have been purchased and are held for future sinking fund payments.

Instalments of long-term debt maturing in each of the calendar years 1972, 1973, 1974 and 1975 amount to \$565,000, \$975,000, \$975,000 and \$975,000 respectively.

The Trust Deeds securing the First Mortgage bonds and the debentures impose certain restrictions on the payment of dividends and management fees and upon the redemption or repayment of the company's preference and ordinary shares. To December 31, 1970, all of the conditions of the Trust Deed had been met.

### 4. In fixing rates, except for the matter referred to in the succeeding paragraph, The Public Utilities Board of the Province of Alberta permits the company to recover only taxes payable currently and accordingly, to the extent that capital cost allowances are claimed in excess of the depreciation recorded in the accounts, there has been a related reduction in the amount of income taxes otherwise payable.

The company is permitted, however, to record deferred tax credits in respect to the acquisition of natural gas rights for its utility system, but, at the specific request of the City of Calgary it has agreed with effect from January 1, 1967 to amortize such deferred tax credits by credit to the annual provisions for income taxes over a 10 year period.

The effect of the reductions in the annual provisions for income taxes resulting from the use of the methods referred to in the two preceding paragraphs as compared to the annual provisions on a full tax allocation basis is that the provisions have been reduced by \$240,628 in 1970 (\$236,218 in 1969). The cumulative amount of deferred tax credits to December 31, 1970, is \$2,589,523 of which \$304,440 has been recorded in the accounts.

### 5. Adjustment of prior years' income taxes:

During 1970, the company was successful before The Income Tax Appeal Board in regard to income tax liability applicable to the years 1964 to 1967. Accordingly, the balance of retained earnings at January 1, 1969 has been restated from amounts previously reported to reflect the result of this decision in the amount of \$95,855.

### 6. The company, together with certain of its affiliated companies, has in effect a pension plan covering substantially all of its employees. At December 31, 1970, the company's share of the aggregate unfunded past service liability, being amortized over a period of approximately twenty years, amounted to approximately \$1,584,000.

### 7. Remuneration of directors and senior officers:

The aggregate remuneration paid by the company to the directors and senior officers of the company during 1970 was \$238,774.

### 8. Earnings per share:

	1970	1969
Net earnings per ordinary share after deducting dividends on preference shares:		
Services and other income	\$1.36	\$1.39
Gain on sale of land and investments	.14	.05
Net earnings	<u>\$1.50</u>	<u>\$1.44</u>



# A L B E R T A



## SYSTEM MAP

CANADIAN WESTERN NATURAL GAS COMPANY LIMITED

NORTHWESTERN UTILITIES, LIMITED  
December 31, 1970

### Legend

Gas and/or Oil Fields

PIPELINES

Northwestern Utilities

Canadian Western

Alberta Gas Trunk for Trans-Canada

Alberta Gas Trunk for Alberta & Southern and Canadian Montana Pipeline Co.

Pipelines Owned by Others

SCALE IN MILES

0 50 75

